

Message Text

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C O N F I D E N T I A L TEHRAN 0169

EXDIS

E.O. 11652: GDS

TAGS: OREP (PERCY, CHARLES)

SUBJ: SENATOR PERCY VISIT - ECONOMIC ISSUES

IN SEPARATE CONVERSATIONS WITH MINISTERS AMOUZEGAR AND ANSARY,
SENATOR PERCY DISCUSSED FOLLOWING SUBJECTS. THIS REPORT IS UN-
CLEARED AND SUBJECT TO POSSIBLE REVISION BY SENATOR:

A. IRANIAN BUDGET:

AMOUZEGAR ACKNOWLEDGED THAT SOME IRANIAN ECONOMISTS FELT THAT IRAN
MIGHT BE OBLIGED TO RETURN TO INTERNATIONAL CAPITAL MARKET FOR
FUNDS FOR DEVELOPMENT IN ABOUT THREE YEARS. HE DISAGREED, HOWEVER,
STATING THAT HE DID NOT BELIEVE GOI COULD DISPERSE TOTAL FUNDS
ALLOCATED UNDER NEXT YEAR'S GENERAL BUDGET (\$26.5 BILLION).
CITING SHORTAGES OF DOCTORS, ENGINEERS AND OTHER KEY PERSONNEL,
AND LACK OF PHYSICAL INFRASTRUCTURE, HE SAID GOI SIMPLY WOULD NOT
BE ABLE TO SPEND MONEY AT PLANNED RATE. POSSIBLE EXCEPTION MIGHT
BE MILITARY EQUIPMENT PURCHASES.

B. INDEX FOR PETROLEUM PRICES:

ANSARY SAID GOI WOULD BE WILLING TO DISCUSS MARKET BASKET OF COM-
MODITIES TO BE USED IN CONSTRUCTING AN INDEX AND BASE YAR FOR
ESTABLISHING PRICES. IT WOULD ALSO WISH TO INCLUDE AS SUBJECTS IN
DIALOGUE WITH CONSUMING COUNTRIES OTHER BASIC PROBLEMS SUCH AS
INTERNATIONAL MONETARY SYSTEM, TRADE RELATIONSHIPS AND WORLD
INFLATION.

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C. POSSIBLE OIL PRICE REDUCTION IF CONSUMPTION IS CUT:

ANSARY SAID PRICE OF OIL SET BY OPEC WOULD HAVE NOTHING TO DO WITH LEVEL OF CONSUMERS' IMPORTS. RATHER, FUTURE OIL PRICE CHANGES WOULD BE DETERMINED BY EFFECT OF WORLD-WIDE INFLATION ON OIL PRODUCERS' IMPORTS. HE IMPLIED THIS WAS SUBJECT FOR FURTHER DISCUSSION.

D. JOINT COMMISSION:

IRAN CONCEIVED THE JOINT COMMISSION, ANSARY SUGGESTED, AS A MECHANISM DESIGNED TO DO BUSINESS. GOI WISHED NEGOTIATIONS WITH PRIVATE COMPANIES TO PARALLEL GOVERNMENT TALKS SO THAT AT CONCLUSION OF OFFICIAL SESSIONS SIGNIFICANT BUSINESS DEALS COULD BE ANNOUNCED.

E. NUCLEAR ENRICHMENT:

IN RESPONSE TO SENATOR'S COMMENTS ON IRANIAN DEALS WITH EUROPEAN COUNTRIES FOR NUCLEAR PLANTS, ANSARY ASKED COULD US DELIVER? IRANIANS HAD IMPRESSION NUCLEAR ENRICHMENT WAS NOT RECEIVING PRIORITY ATTENTION IN US.

F. FERTILIZER:

SENATOR PERCY RAISED POSSIBILITY OF JOINT US-IRANIAN EFFORTS TO INCREASE FERTILIZER PRODUCTION AND ANSARY INDICATED GOI WOULD WELCOME COLLABORATION WITH US CONSORTIUM FOR FERTILIZER OUTPUT IN IRAN AND IN THIRD COUNTRIES.

G. OIL BARTER:

AMOUZEGAR TOLD SENATOR HE WAS THINKING OVER IDEA OF OIL SWAP WITH U.S. OIL WOULD BE REPAID WITH NORTH SEA OIL-- BARREL-FOR-BARREL--SOME YEARS HENCE. FUTURE PRICE CHANGE WOULD NOT BE TAKEN INTO ACCOUNT. EMPHASIZED IDEA HAD NO OFFICIAL STANDING.
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